

Message Text

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ACTION EB-06

INFO OCT-01 NEA-06 ISO-00 ABF-01 OMB-01 AID-05 TRSE-00

AGR-05 COME-00 FRB-01 XMB-02 IGA-01 L-01 STR-01

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FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 9822

INFO AMCONSUL JERUSALEM

C O N F I D E N T I A L CAIRO 8546

E.O. 11652: MG

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TAGS: EFIN EG

SUBJ: EGYPTIAN DEBT ARREARAGES

JERUSALEM FOR PARSKY

REF: STATE 235580(NOTAL)

1. WILL CONSOLIDATE AID ARREARAGES

FIGURES WHEN RECEIVED

WITH THOSE OF EXIM BANK AND USDA AND PRESENT SUCH
CONSOLIDATED LIST TO ACTING MINFINANCE DR. HASSAN
EL-SHERIF AND GOVERNOR OF CENTRAL BANK ZANDOU
ASAP. IMPORTANCE OF PROMPT PAYMENT ON OBLIGATIONS DUE
AS MEANS OF STRENGTHENING EGYPT'S CREDIT WORTHINESS HAS BEEN A
CONSTANT

REFRAIN IN OUR DISCUSSIONS WITH APPROPRIATE EGYPTIAN
OFFICIALS AND WILL CONTINUE TO BE SO.

2. PARA 3 REFTTEL SUGGESTS SOME MISUNDERSTANDING. IT
IS NOT A QUESTION OF POSTPONING NEGOTIATIONS RE SETTLEMENT
OF \$56 MILLION LOCAL CURRENCY ARREARAGES. ISSUE IS
PRIME MINISTER HEGAZI'S UNWILLINGNESS UP TO NOW TO
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PROCEED ALONG SUCH ROUTE. OFFICIALLY HE ARGUES SUCH

TRANSFER WOULD HAVE AN INFLATIONARY EFFECT. IN FACT,
AS WE HAVE SEVERAL TIMES POINTED OUT, WE SUSPECT HE IS
RELUCTANT TO CLEAR THIS ARREARAGE
WITH US LEST IT BECOME
PUBLIC KNOWLEDGE AND CAUSE OTHER CREDITORS TO
MAKE A

SIMILAR SETTLEMENT OF ARREARAGES.

3. ON PROCEDURAL LEVEL, AS DEPT AWARE, THESE NEXT
TWO WEEKS ARE FULLY CONSUMED WITH JWG MEETINGS, VISITING
CABINET MEMBERS AND OTHER VIPS, TRADE MISSIONS, ETC.
SUCH GROUPS NOT ONLY IMMOBILIZE EMBASSY PERSONNEL, BUT
ALSO SENIOR EGYPTIAN MINISTERS. SETTLEMENT OF LOCAL
CURRENCY ARREARAGES CAN ONLY RPT ONLY BE DECIDED BY
HEGAZI AND HIS SCHEDULE IS FULL NEXT FEW DAYS. IT IS
DOUBTFUL THAT ACTING MINISTER OF FINANCE EL-SHERIF EVEN
KNOWS ABOUT PROPOSAL. IN CIRCUMSTANCES, WE SUGGEST
PARSKY MIGHT AGAIN TAKE UP SUBJECT WITH HEGAZI WHEN
HE MEETS WITH PRIMIN 1930 ON NOV 3. ALTERNATIVELY,
AMBASSADOR WILL TAKE A SUITABLE OCCASSION TO CALL ON
PRIMIN TO DISCUSS SUBJECT, BUT REALITIES OF NEXT TWO WEEKS
SCHEDULE PRECLUDE DOING SO UNTIL AFTER SECRETARY BUTZ'
DEPARTURE. POINTS MADE PARA 4 REFTEL ARE PRECISELY
THOSE MADE BY THIS EMBASSY WHEN DISCUSSING SUBJECT WITH
HEGAZI AND NOW CONVALESCING MINFINANCE ABDUL FATAH.
THEY WILL CONTINUE BE USED.

4. ALTHOUGH HEGAZI'S BASIC RELUCTANCE WILL STILL
APPLY, WHOLE PROCESS MIGHT BE SOMEWHAT EASIER IF AND WHEN
LONG-PROMISED \$250 MILLION US AID TO EGYPT IS
AVAILABLE. HEGAZI COULD THEN AT LEAST POINT OUT TO
PROTESTING OTHER CREDITORS THAT EGYPT IS RECEIVING
US ASSISTANCE IN APPRECIABLE AMOUNT. PL 480
ALLOCATIONS TO DATE ARE REGARDED HERE AS SMALL AND
OFFER MINIMAL INDUCEMENT TO GOE TO COME TO GRIPS WITH
SENSITIVE ARREARAGES PROBLEM. MOREOVER, THUS FAR NO ONE
HAS POSED ANY OBJECTION TO MODEST QUARTERLY PL 480
ALLOCATIONS BECAUSE OF ARREARAGES. HENCE, PL 480
ARGUMENT PARA 4B REFTEL HAS LITTLE PUNCH HERE.
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